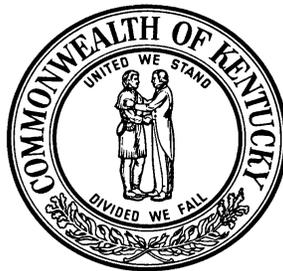


**REPORT OF THE AUDIT OF THE
CASEY COUNTY
CLERK**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY CLERK

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Casey County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$16,969 from the prior year, resulting in excess fees of \$18,065 as of December 31, 2006. Revenues increased by \$34,272 from the prior year and expenditures increased by \$51,241.

Report Comments:

- The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Eva S. Miller, Casey County Clerk
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Casey County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Eva S. Miller, Casey County Clerk
Members of the Casey County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Casey County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 11, 2007

CASEY COUNTY
EVA S. MILLER, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Grants - Libraries and Archives Grants	\$	4,550	
State Fees For Services			5,403
Fiscal Court			3,648
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	406,799	
Usage Tax		758,241	
Tangible Personal Property Tax		1,077,766	
Other-			
Fish and Game Licenses		6,970	
Marriage Licenses		4,387	
Occupational Licenses		230	
Deed Transfer Tax		32,500	
Delinquent Tax		38,748	
		<u>38,748</u>	2,325,641
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		21,091	
Real Estate Mortgages		21,291	
Chattel Mortgages and Financing Statements		40,800	
Powers of Attorney		2,188	
All Other Recordings		8,968	
Affordable Housing Trust Fund		8,328	
Charges for Other Services-			
Candidate Filing Fees		1,700	
Copywork		3,752	
Phone & Postage		816	
		<u>816</u>	108,934
Other:			
Lein Search		5	
Title Application/Consideration Affidavits		9,504	
Miscellaneous		345	
		<u>345</u>	9,854
Interest Earned			<u>894</u>
Total Revenues	\$		2,458,924

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
 EVA S. MILLER, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 310,706

Usage Tax 735,459

Tangible Personal Property Tax 352,909

Licenses, Taxes, and Fees-

Fish and Game Licenses 6,729

Marriage Licenses 1,280

Delinquent Tax 4,971

Legal Process Tax 11,655

Affordable Housing Trust Fund 8,328 \$ 1,432,037

Payments to Fiscal Court:

Tangible Personal Property Tax 57,244

Delinquent Tax 3,020

Deed Transfer Tax 30,875 91,139

Payments to Other Districts:

Tangible Personal Property Tax 624,152

Delinquent Tax 20,710 644,862

Payments to Sheriff

522

Payments to County Attorney

5,673

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 146,737

Contracted Services-

Advertising 1,456

Printing and Binding 3,000

Internet Services 25

Tax Bill Preparation 2,765

Materials and Supplies-

Office Supplies 12,894

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
 EVA S. MILLER, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-			
Conventions and Travel	\$	2,430	
Dues		500	
Bond		662	
Postage		4,569	
Refunds		1,075	
Emergency Election Expense		1,128	
Utilities		2,889	
Miscellaneous		288	
Libraries and Archives Grants		4,550	
Capital Outlay-			
Office Equipment		2,097	
Copy Machine Maintenance		3,318	\$ 190,383
			<hr/>
Total Expenditures			\$ 2,364,616
			<hr/>
Net Revenues			94,308
Less: Statutory Maximum			69,341
			<hr/>
Excess Fees			24,967
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,302	6,902
			<hr/>
Excess Fees Due County for 2006			18,065
Payments to Fiscal Court - February 7, 2007			15,000
			<hr/>
Balance Due Fiscal Court at Completion of Audit			\$ 3,065
			<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Grants

- A. During 2005, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives that had a balance of \$4,927 as of January 1, 2006. All funds were obligated, however no funds were expended during the year. The unexpended grant balance was \$4,927 as of December 31, 2006.
- B. During 2005, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives that had a balance of \$2,447 as of January 1, 2006. Funds totaling \$1,820 were expended during the year. The unexpended grant balance was \$627 as of December 31, 2006.
- C. During 2006, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$2,730. Funds totaling \$2,730 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2006.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Wright, Casey County Judge/Executive
The Honorable Eva S. Miller, Casey County Clerk
Members of the Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Casey County Clerk for the year ended December 31, 2006, and have issued our report thereon dated October 11, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Casey County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Casey County Clerk's responses to the findings identified in our audit are included in the accompanying comment and recommendation. We did not audit the County Clerk's responses, and accordingly, express no opinion on them.

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

October 11, 2007

COMMENT AND RECOMMENDATION

CASEY COUNTY
EVA S. MILLER, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2006

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY:

The County Clerk's Office Lacks Adequate Segregation Of Duties

During our review of internal controls over receipts, we noted the County Clerk and all deputies are allowed to collect money. Deputies are responsible for balancing their cash drawer. Each day a different deputy prepares the daily checkout sheet. The daily checkout sheet is reviewed by the Clerk or the chief deputy who then prepares the bank deposit. The Clerk or another deputy takes the deposit to the bank. The part-time bookkeeper, who has no access to cash, prepares the monthly bank reconciliation, posts the daily checkout sheet to the ledger and prepares all financial reports. The County Clerk reviews all reports prepared by the bookkeeper. However, evidence of these compensating controls was not found during audit procedures. We recommend the County Clerk document the compensating controls they have been performing.

The County Clerk prepares, signs, and mails all checks. The bookkeeper posts the disbursements to the ledger. No compensating controls exist over this area. We recommend the County Clerk segregate duties or implement the compensating controls noted below to offset this internal control weakness.

- Two people, with one being the County Clerk, should sign all checks.
- The County Clerk should examine checks prepared by another employee and compare invoices or monthly reports to taxing districts to payments. She should document this by initialing the invoices and the monthly reports.
- The County Clerk should review the bank reconciliation prepared by the bookkeeper and compare the balance in the ledgers to the balance in the checkbook. Any differences should be reconciled. The County Clerk should document this by initialing the bank reconciliation and the balance in the checkbook.

County Clerk's Response: I am one of many small clerks' offices. Typically all employees have to handle money as well as the reports and books. I have put into place a system of checks and balances so that every financial step taken by this office is at least double checked and most are usually triple checked. My bookkeeper never handles any money. She handles the ledgers, bank reconciliations and reports so that if any discrepancies were found, it would raise a red flag. I also review everything. I have in place some extra internal procedures that aid in the accounting process. There are various check points that other deputies alternate checking such as figures, payments, etc.

Former auditors would take the liberty to ask randomly and at will of various employees as to their involvement in this process. It has never been recommended that each of these steps be initialed. If the recommendations were made for the future and I did not comply, I would understand the audit comments. I do not understand how this can be held against my 2006 audit retroactively when previous auditors accepted their verbal interviews with employees as to what was done for each procedure.

I will strive to comply with these recommendations in the future. However, with 2007 almost over, I have not been given the chance to follow the auditor's recommendations from the beginning of the year. I cannot for instance, have the checks signed retroactively by two people. I will attempt to have everything initialed by who ever checked the reports, payments, etc., from this point forward.

